

The MORTGAGE BANKER

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What One Community Is Doing in Housing

Private initiative and enterprise go to work to provide a plan for cutting the housing shortage; can your city use the Rockford Plan?

FOR the past year, industrialists, retailers and other members of the Chamber of Commerce have been studying ways and means of solving the serious housing shortage in Rockford. They were unanimous in their opinion that they could not wait for things to happen—some decisive constructive measures had to be taken. Many surveys were made, all of which indicated the very urgent need for medium-priced homes. A survey made of the industry alone showed a need of over 3,000 homes. Many meetings were held; and finally a conference was arranged with most of the heads of industry and larger retailers in Rock-

By A. H. SEISE

ford and a plan devised for sponsoring 100 houses.

A number of contractors got together and told the Chamber of Commerce that they were willing to work with them and would form a corporation. It was known as The Rockford Civic Builders, Inc., an Illinois non-profit corporation organ-



A. H. Seise

ized to build these houses at a set price. This price was to be only 10 per cent above the actual cost, and from \$1,000 to \$2,000 below present prices. In setting up Rockford Civic Builders, Inc., the contractors agreed among themselves that all would work as subcontractors; there would be no general contract in their organization structure.

The Chamber of Commerce then called about fifty of the leading industrialists and retailers together and they then formed a corporation known as The Home Sponsors of Rockford, Inc. This also is a non-profit organization with a board of 27 leading citizens

The MORTGAGE BANKER, MBA and its officers have been doing a great deal of talking and preaching these past several years on the theme that one of the things most desperately needed to solve the housing shortage is more real initiative at the local level rather than so much talk at the national level — mostly to the effect that "Washington must do something."

It is pleasant to note—as anyone can note today—the growing appreciation of this simple fact all up and down the line.

This article is a brief story of

what one city did. Out in Rockford, Illinois, a group of public-spirited civic-minded men under the auspices of the Chamber of Commerce cooperated to get action. President Thompson and others outside Rockford who know this story ask why the same thing can't be done in countless other places. And, indeed, why not? Rockford is taking a big step toward alleviating the housing shortage; there seems to be no logical reason why the same thing can't be done elsewhere.

The article is by A. H. Seise, a member of MBA's board of

governors and president of the Northern Illinois Mortgage Co. of Rockford which handled the financing. He had a far larger part in the success of this whole development than he admits here; it is no exaggeration to say that among those who are actually demonstrating how private enterprise can be made to work, he is right up front. Mr. Seise will be glad to supply additional information members may wish. We suggest that they pass along these ideas to others in their communities where they will do the most good.

in Rockford, who agreed to put up \$100,000 in cash. It was the plan to build Title VI houses where the loan would be insured for 90 per cent of the actual cost of the house, lot and loan expenses; the \$100,000 would be used for the difference between the FHA loan and the total cost of the house.

Many plans were studied and Green's Ready-Built Homes were finally selected. This is a local company which could deliver two or three houses a day. It is a prefabricated house with two or three bedrooms, with hip or gable roof, siding, full basement and gas heat.

\$8,500-\$9,200 Price Range

The Chamber of Commerce went all out to make the plan work. It set up a special office in Chamber quarters and donated the services of their manager of the Industrial Department and several girls to handle all details for The Home Sponsors of Rockford, Inc., such as purchasing lots, making application for loans, interviewing prospective purchasers, etc. The lots on which the 100 houses are to be built were selected from all sections of the city where public utilities were available, in order to expedite the completion of the houses. The price of the lots ranged from \$700 to \$1,000 and the cost of the completed houses will be from \$8,500 to \$9,200 to the purchaser.

It was proposed that these houses be sold without any real estate commission or profit over and above the actual cost to The Home Sponsors of Rockford, Inc., thereby placing them in a position to offer the houses at cost to qualified employees of the companies who had invested in the corporation. In other words, if a certain employer had put \$10,000 into the Home Sponsors, he would be entitled under the plan to allocate 10 houses to his employees, providing the employee's credit report and down-payment was satisfactory to the FHA and mortgagee.

It was the plan that the down-payment should be enough to make up the difference between the FHA loan and sales price that had been placed on the property by The Home Sponsors of Rockford, Inc.; and, at the time of the sale, a release on FHA Form

As a place for introducing new manufactured products, Rockford is known in promotion circles as the "best test city in the Mid-West"—it should be a good place to test the plan Mr. Seise describes. Rockford is a city of nearly 112,000 in a retail trading zone of about 378,000. It is an industrial city with several large industries and many more smaller companies. Close to Chicago, it is also at the head of one of the world's most prosperous agricultural regions. It is primarily a city of owner-occupied homes.

Cleveland Plan Has Different Approach

Considerably different from the Rockford plan is the Cleveland Plan which caused considerable discussion at the recent home builders meeting. It's an idea to provide houses at the below-\$10,000 price level. Out there some are talking in terms of three-bedroom houses at around \$7,850 plus cost of lot, or one-bedroom houses with space for two rooms, plus lot, at somewhere around \$6,750.

According to one report, to achieve this result builders have obtained co-operation from union workers and city officials who administer the building code. They've saved money by eliminating the basement but say they've made no short-cuts such as leaving doors off closets. Standard bathroom and kitchen equipment are used.

A Cleveland bank has indicated willingness to finance these homes. FHA, it is said, has approved specifications.

Within the next two months about 500 homes of the "Cleveland Plan" variety will be started, it is said.

What have the Cleveland builders done to cut costs and make lower priced homes available? According to the Wall Street Journal, they have:

First, turned to "site fabrication." Power saws and other speed-up equipment are combined with production line techniques to convert lumber and other materials into substantial seg-

2210 should be issued, together with a release and assumption agreement signed by the purchaser, which would release The Home Sponsors of Rockford, Inc., of any liability on the note.

It is also the plan that when all the 100 houses are built and sold, The Home Sponsors of Rockford, Inc., will be dissolved and that the members who made the original investments and furnished the capital will receive their investments in full without any profit. A contract was entered into between The Home Sponsors of Rockford, Inc., and The Rockford Civic Builders, Inc. The Northern Illinois Mortgage Co. was engaged to handle the financing and will furnish money during construction. The amount of loans will be from \$7,700 to \$8,100. The project is now under construction and completion is scheduled for July 1, 1948.

ments of a home. This approach trims precious manhours—and many dollars—from older saw-and-hammer practices. A sort of prefabrication plant at the building site will produce roof sections, doors, interior wall partitions—even kitchen cabinets. Or it may turn out a panel, including window, that constitutes a side wall.

Builders say site fabrication has this advantage over factory prefabrication: Because it's local it produces home parts that are sure to fit local building codes.

Builders have obtained co-operation from the Cleveland Building Commissioner's office, to aid their project. By special permission they're using a Trans-site (vitrified tile) flue in place of the conventional brick chimney. They also got an okay to use 2x4s instead of 2x6s in the roof frame. And the 2x4s are spaced wider apart. These roof trusses will be fabricated on the building site.

About \$150 a home is saved by central location of a gas-fired, hot air heating unit; this means fewer expensive ducts.

Dry wall construction, using plaster board instead of wet plaster, saves money, too. And it also speeds production, builders say; delays of several months sometimes have occurred while

(Continued page 8, col. 3)

REPORT FROM CHICAGO

Chicago Clinic Largest Held; Tightening Money Market Features the Discussion

TIGHTER credit conditions existing in the mortgage market took top billing at MBA's first 1948 Mortgage Clinic at the Drake Hotel, Chicago, in February.

What's going to happen to the GI and Title VI markets with the rate fixed by Congress at 4 per cent, where are those premiums we've been getting, just how tight have investors tightened up and how much better can they do in the bond market right now? What about commissions—who's asking and getting them and how much and on what types of loans?

These were a few of the questions MBA members have been asking each other these past few months when the mortgage field has been experiencing an abrupt shift in conditions affecting the business; and the best way to find out what conditions are nationally, they concluded, was to be on hand for our Clinic.

It was the largest—and many were loud in saying, the best—Clinic MBA has sponsored. Registration hit 564, including two from Canada. It hasn't

been so many years ago that this would have been considered a good convention attendance.

Of these, 83 were from Chicago, indicating the heavy out-of-town attendance. The Clinic was intended for the



MBA Past President Herold G. Woodruff, Detroit (left), and C. Armel Nutter, Camden, N. J., a member of the MBA board, relax for a moment between clinic sessions.

Central and Western sections of the country but actually attendance was nation-wide. Thirty-five states were represented. Principal Middle Western cities close to Chicago sent their usual

large delegations. One delegation conspicuously larger than in former years came from Denver—21 in all. Other large groups were:

Detroit37	Cleveland14
Minneapolis . .22	Pittsburgh . . .13
St. Louis19	Kansas City . .13
Milwaukee . . .17	New York13
Indianapolis . .14	Memphis11

and nine each from St. Paul, Dallas and Decatur, Ill.

Now for a few highlights about one of the most interesting meetings the Association has yet sponsored, you are directed to the following notes which should not, however, be considered as complete "coverage" of the meeting but merely a few random observations of your reporter.

* * *

No transcript of the Clinic was made; thus no proceedings will be published. Some copies of the papers of Herbert F. Philipsborn, Walter Gehrke, Fallon A. O'Leary, George H. Dovenmuehle, Hubert R. Haeussler and Robert Irving are still available on request.

The widely acclaimed talks of H. J. Tobin, of Northwestern Mutual, John K. Langum of Chicago's Federal Re-



THE MORTGAGE BANKER photographer calls for an intermission to get a shot of as many as the camera can include. Half of the ballroom was set up in the traditional Clinic school-room style

with chairs for the remainder. But for the first time the Drake ballroom failed to accommodate all who attended. The overflow heard the sessions from the balcony which this picture doesn't show.



With our roving photographer around the Clinic—Left photo, A group from Denver; Left to right: W. Braxton Ross, vice president, Morrison & Morrison, Inc.; Pete De Longchamps, vice president, Industrial Federal Savings and Loan Association; Hubert F. Thomas, resident vice president, Western Securities Company; and Aksel Nielsen, president, The Title Guaranty Company, and MBA vice president. Center photo, left to right: E. W. Lutz, General Mortgage Corp., Longview, Wash.; Kenneth J. Morford, vice president, Burwell & Morford, Seattle; and Ferd Kramer, president, Draper & Kramer,

Inc., Chicago, who conducted the Clinic session on interest rates, money trends, etc., and which proved to be one of the best Clinic offerings MBA has presented.

Right photo, left to right: Ralph T. Brigham, Mountain Management and Mortgage Corporation, Denver; Thomas J. Murray, Manager, mortgage loan department, New York Life Insurance Co., Chicago; Dean R. Hill, president, Hill Mortgage Corp., Buffalo, and past president of MBA; and Clifford A. Pletcher, secretary, Colfax Mortgage & Ins. Service, Inc., South Bend, Ind.

serve, and Robert Bethke of the Discount Corporation of New York, were frank discussions of present-day money market conditions affecting mortgage lenders. The editor wishes every member could have heard them. No copies of these talks are available.

* * *

MBA's board of governors took specific action on a number of problems affecting our business at the moment.

To stimulate the construction of critically needed large-scale rental housing projects, the governors approved the proposed extension for one year of Section 608. President Thompson stated that present loan limitations of Section 203 of the National Housing Act should be changed and fixed on a more realistic basis to recognize current increased building costs.

* * *

Another resolution approved by the board expressed disfavor with the President's recommendation that the government be authorized to guarantee loans for working capital for builders. Also opposed was the recommendation that the government's present power to guarantee production loans should be extended to cover the entire period between the time the house is started in the plant and the erection of it on the site. This refers to added governmental assistance to pre-fabricated housing manufacturers which has been advocated. Prefabbers thought Congress had written a law to do just about that last Summer. But FHA explained that last Summer's law only covered prefab houses until they passed into the dealer's hands and did nothing for dealer financing.

An MBA committee of the board

presented these views to various members of Congress on March 4. A report of this committee has been sent to members.

* * *

Consensus of opinion was that MBA had some really top-flight moderators



George H. Dovenmuehle, vice president, Dovenmuehle, Inc., Chicago, and Hugo Porth, Ed. Porth & Sons, Milwaukee.

conducting the Clinic in Edgar N. Greenebaum, E. H. Grootemaat and

Ferd Kramer. A number of builders came up from Hotel Stevens at the other end of Michigan avenue where they had been attending the Home Builders sessions. . . . One got on his feet to tell mortgage lenders "not to go on a sit-down strike. If you're not paid enough, tell us what you must have but don't go on strike." Greenebaum assured him that certainly was not in the minds of anyone.

One member wanted the men on the FHA panel to tell him "when FHA is going to face the facts of life about Title II." Curt Mack laughed and allowed as how he has always had considerable trouble with "the facts of life."

* * *

In the panel discussion, Herbert Philipsborn said it costs his company about \$100 to put a loan on the books.

* * *

Mack later said processing time had

(Continued page 7, col. 3)



Just outside the ballroom. MBA's 1948 Clinic was not only the largest yet held but also

the best attended. Every session played to a capacity or near-capacity "house."

Lenders Seeking a Justifiable Return on Mortgage Loans, Thompson Tells Builders

There is actually no scarcity of mortgage credit today to finance the critically-needed new construction but



John C. Thompson what has caused the present stringency is that mortgage investment is seeking a justifiable increase in its return and this has caused a recognizable hesitancy on the part of lenders to lend money at rates which have prevailed up until a few months ago, President John C. Thompson said in his address before the National Association of Home Builders on the Tuesday preceding our Chicago Clinic.

"The only acceptable solution to our problem is an increase in the supply of housing," he said. "Legislation or financial plans in themselves cannot effectively increase the supply.

"Money available for investment in mortgages has been gravitating to more

attractive investment fields providing complete liquidity and an interest return comparable to, or exceeding, the return from mortgages.

"But actually, there is still almost a limitless amount of money for investment in sound real estate mortgages at interest rates which will justify long-term investment and still compensate for the risks and costs involved.

"Mortgage bankers will not deny that mortgage loans providing a gross return of 4 per cent are no longer attractive or even justifiable investments as compared with high-grade bonds at current prices. Increases of one-half to one per cent will not adversely influence the continued construction of urgently-needed housing.

"Builders and mortgage investors must unite forces to fight those who are seeking actively an opening to advance the cause of a managed national economy. We must vigorously fight those who are endeavoring to socialize housing and mortgage financing."

banking field is as much a matter of getting along with people as having a vast knowledge of the business. It may probably be true that success is around 10 per cent knowledge of the business and 90 per cent knowledge of human relations.

* * *

FERD KRAMER: "Our mortgage offerings must compete in the open market with all other investments. Investment fund managers will not purchase our merchandise until it is priced on a basis attractive enough to draw buyers to it. That market is the 'money market,' and the price tag is the 'interest rate.'

"At a time when the housing shortage in most urban communities is still at a very acute stage, an increase in interest rates or a shrinkage in the funds available for new construction is a matter of great importance. It affects the mortgage banker, the realtor, the builder. It affects the housing standard of millions of people who are living in cramped and, in many cases, sub-standard quarters.

"Our total savings amount to approximately \$156 billion. Of this sum, \$44 billion is managed by insurance companies; \$53 billion by the commercial and savings banks, and \$46 billion is in United States savings bonds. The individual investor who was once our most valued client has almost disappeared from the buying side of the market. High income taxes and increased living expenses have siphoned off most of his former saving capacity."

* * *

HERBERT HAEUSSLER: Based upon

Lifted from the Talks

Significant Remarks by Chicago Clinic Speakers

WALTER GEHRKE: The daily newspaper is the best advertising medium for mortgage lending institutions and the financial page is the best spot in the paper for their advertisements. Establishing a definite budget and continuity of advertising are essentials in making a success of a mortgage advertising program. It is a great mistake and a waste of money for a mortgage banker to advertise sporadically or in a hit-or-miss fashion.

* * *

HERBERT PHILIPSBORN: "Under Title VI, the maximum interest rate may not exceed 4 per cent. The yield on government and other prime bonds has increased to a point where a gross yield of 4 per cent on mortgages—less a reasonable premium and interest participation—is no longer attractive to corporate borrowers. Therefore, we should feel justified in availing ourselves of the maximum commissions

permitted under FHA regulations—2½ per cent on 603s and 1½ per cent on 608s."

* * *

FALLON A. O'LEARY: The secret of getting along well in the mortgage



MBA panel members, left to right: Edgar N. Greenebaum, president, Greenebaum Investment Co., who presided at the Clinic sessions; Walter Gehrke, chairman of the board, Detroit Mortgage & Realty Co.; Edward J. Kelly, Chicago, FHA district director, and Herbert F. Philipsborn, president, H. F. Philipsborn & Co., Chicago.

my experience in handling more than \$45,000,000 of FHAs in the past 11 years, marital difficulties is among the "chief reasons for mortgage delinquencies and the most complex to handle, especially where no one knows who will eventually own the property or where no temporary alimony is being paid and the wife occupies the premises. I have been told by a former commissioner of FHA that marital difficulties represent the principal reason for FHA foreclosures nationally."

* * *

GEORGE DOVENMUEHLE: "We in the mortgage business are caught between two battling elements—those who want to encourage the production of housing and those who want to stop inflation."

"It is impossible to reconcile these factions; and when we attempt to sell our mortgages or seek interim financing at the banks, we realize that, at the moment, the official decision is to sacrifice the homebuyer in order to satisfy the demand for lower prices. However, this contest is not over. The banks are our main source of temporary credit and, at the moment, are definitely on the side of the anti-inflationists."

* * *

ROBERT IRVING: "Mortgage lenders should 'stay in the game' and make every effort to finance the man who wants to buy a home even under the more restricted financial conditions that exist at the moment. If we do not finance them, somebody else will and that somebody else may not be private enterprise. There is nothing wrong with a G.I. loan. What is wrong is that, in assisting veterans, all of us—in varying degrees—have thrown overboard the fundamental principles which we must follow to preserve our own individual business and private mortgage lending as a whole."

DEATH OF MRS. CURT C. MACK

Mortgage Bankers Association of America deeply sympathizes with Curt C. Mack, Assistant Commissioner, Federal Housing Administration, in the death of his wife in Washington. The funeral was in the capital, March fifteenth.

New York Clinic April 5-6; Registration in Advance Asked; Large Group Expected

With the high interest shown in the Chicago Clinic program, MBA's second 1948 Mortgage Clinic at Hotel Commodore, New York, April 5 and 6, will, according to present indications, also prove to be one of the most important meetings the Association has sponsored.

As was indicated by the Chicago Clinic, this is one of the most important periods the mortgage business has known in 15 years. There are many new trends and conditions facing the business and what will eventually emerge is not entirely clear at this time.

Conductor of the New York Clinic will be Earl Linn, Des Moines, chairman of this year's Clinic committee. The program personnel isn't final but the subjects will be the same as Chicago with certain minor variations.

President John C. Thompson and Washington Counsel Samuel E. Neel will speak on the opening morning, followed by the FHA-GI session conducted by Milton T. MacDonald, Jersey City, as moderator. Franklin D. Richards, FHA commissioner, Thomas

D. Grace of FHA's New York office, and Thomas H. Hickey of the VA in Washington will speak. Then the program runs something like this:

First afternoon, session on acquiring a satisfactory volume of loans under 1948-49 conditions. Moderator, N. N. Wolfsohn, Philadelphia. Panel members, George W. De Franceaux, Washington, D. C., Carton S. Stallard, Elizabeth, N. J., and Dean R. Hill, Buffalo.

Second morning, session on interest rates, money markets, etc., Harry Held, New York, moderator. Panel members, Dr. Jules I. Bogen, New York University, and Claude L. Benner, Wilmington, Del.

Second afternoon, session on servicing. Oliver Walker, Washington, D. C., moderator. Panel members, G. M. Burlingame, Bryn Mawr, Pa., Robert Goldsby, Elizabeth, N. J., and Donald E. Nettleton, New Haven, Conn.

Because of the anticipated heavy attendance, we are asking members to register in advance at the headquarters office so we will have a list to distribute at the opening of the Clinic.

New York Radio Tickets Available

In recent years when we have had Clinics and Conventions in New York, many members have appreciated us securing tickets to radio broadcasts for them. Our press department has again secured some for our New York Clinic April 5 and 6. The number is *very* limited, requests must be filled as received without charge and, in some cases, we may have to cut the number asked for. Here are the programs arranged for so far:

SUNDAY, April 4, 6:30 P.M., COCA COLA PROGRAM. (Courtesy Coca Cola.)

SUNDAY, April 4, 6:00 P.M., Prudential FAMILY HOUR. (Courtesy Prudential Insurance.)

MONDAY, April 5, 10 A.M., FRED WARING Show. Note it's morning—if you bring your wife she can make it and will enjoy the program. (Courtesy NBC.)

MONDAY, April 5, 10 P.M., FRED WARING Show. (Courtesy NBC.)

MONDAY, April 5, 10:45 P.M., PERRY COMO Show. (Courtesy Liggett & Myers.)

MONDAY, April 5, 8:30 P.M., VOICE OF FIRESTONE, Eleanor Steber, guest artist. (Courtesy Firestone.)

MONDAY, April 5, tickets for both 9 P.M. and 11:55 P.M., TELEPHONE HOUR, Ezio Pinza, guest artist. (Courtesy A. T. & T.)

TUESDAY, April 6, 8 P.M., MILTON BERLE Show. (Courtesy Philip Morris.)

(And maybe tickets for Fred Allen on April 4.)

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APRIL, 1948

People, Events, Meetings, Et Al

MBA has made great strides in meeting the housing and slum clearance problems through its use of local groups, Washington Counsel Samuel Neel told a meeting of the Mortgage Bankers Association of Greater Little Rock, members of the Little Rock Real Estate Board, officials of FHA and VA and delegations from many towns in the state and Memphis at a meeting in Little Rock.

"We like this method best," Neel said, "but further strides must be made if we are to avoid federal help."

Guy T. Hollyday, immediate past president of MBA, told the group that the "honeymoon" is over, that the peak of sales was reached in June, 1946.

The speakers were introduced by H. T. Watkins of Little Rock, president of the Mortgage Bankers Association of Greater Little Rock.

* * *

Utah Mortgage Bankers Association recently heard Franklin D. Richards, FHA commissioner, speak at a joint meeting with the Utah Savings and Loan league.

* * *

At a recent meeting of the Cleveland Mortgage Bankers Association, members saw the Cleveland Electric

Illuminating Co. film, "Best Location in the Nation."

* * *

The St. Louis Mortgage Bankers Association recently tried something a little new. At its regular meeting, a motion picture with particular interest for everyone in the mortgage field was secured and all employees of member firms invited. The idea worked out well. Here's an idea for other groups to copy.

* * *

And in Detroit, members of the local group scheduled a little different type of speaker. He was Rev. Victor F. Halboth, who was with the 8th air force as chaplain. He spoke on "Tolerance in Business." It is another idea for local groups. At a more recent meeting, Detroit members heard George Hassett, Roscoe Leach and Hubert R. Haeussler recount the gist of what was said at MBA's Chicago Clinic.

* * *

W. R. McGaw of Baton Rouge was elected president of the Louisiana Mortgage Bankers Association.

Other officers elected were A. B. Northrop of New Orleans and N. O. Thomas of Shreveport, vice presidents;

and R. B. McCall of Baton Rouge, secretary-treasurer.

Members of the board of governors include Robert Bolton of Alexandria, J. C. Nichols of Monroe, Frank W. Summers of Abbeville and Locke Plauche of Lake Charles.

* * *

President John C. Thompson was the guest speaker at a meeting at Hotel Commodore in New York March 10 arranged by mortgage men and investors in the metropolitan area to discuss the possibility of organizing a Mortgage Bankers Association of New York.

Wallace W. True was named chairman of the Constitution and By-Laws Committee. President Thompson outlined his experience in organizing the New Jersey Mortgage Bankers Association and discussed the various plans and procedures followed in other mortgage groups over the country.

CHICAGO CLINIC

(Continued from page 4)

been cut to around two weeks and that FHA is trying in every way possible to cut it more. Elmer Grootemaat, in introducing another subject, said "Now let's hear about stabilized costs—and why they are too low in your town."

* * *

The Clinic had convention aspects with several supplementary meetings scheduled. Illinois Mortgage Bankers Association held a luncheon meeting and the Chicago Mortgage Bankers Association held a luncheon for Washington and Chicago VA personnel.

* * *

Elmer Grootemaat emphasized that approved mortgagees ought to study and use the FHA Handbook more. He advocated getting it into the hands of employees and said that we should participate in the FHA employee training program which can be set up in individual communities with FHA staff assistance. He said members ought to be more helpful to FHA in studying congressional appropriations affecting FHA and see that the agency gets a fair deal.

* * *

Sen. McCarthy's plans for 1,500,000 new homes a year for the next decade was announced Friday afternoon, too late for any discussion of it at the Clinic.

MBA Calendar of 1948 Events

- April 5-6—New York, Hotel Commodore, Mortgage Clinic.
- May 20—Chicago, Drake Hotel, Spring Board of Governors meeting.
- June 21-25—Chicago, MBA Seminar, Northwestern University.

News and Views

More Sell-Leases

Life companies last year purchased \$122,000,000 worth of non-housing real estate for investment purposes, bringing holdings of this type to \$192,000,000. The trend seems to be gaining momentum, many large deals being announced this year so far.

The purchases were store, office and factory properties from coast to coast. In many cases, the transactions represented outright purchase of existing properties from the owner-occupants, for re-lease to the occupants on a long-term basis. In some other cases, they have been new properties or plant expansion provided for pre-determined tenants.

With the increased activity in this type of investment in 1947, nearly 40 companies out of 130 surveyed owned some non-housing real estate for rental purpose at the close of the year. Investments of this nature can be made by the life companies in all but nine states today. The first state to actually permit it by statute did so in 1942. The legislation permitting these investments was not extensively adopted until 1945, when seven states took action, and in 1947 permissive legislation was adopted in 20 states. (*For the complete story, see THE MORTGAGE BANKER for November and December, 1947.*)

"The investment of funds in non-housing rental properties is a form of equity financing which aids business just as effectively as capital funds placed in securities," the Life Insurance Institute points out. "At the same time, it does not involve a voice in management nor does the rate of return depend on the annual degree of prosperity of the business. It involves long-term fixed income."

These transactions have freed capital for the business firms involved, to aid in meeting the greatly increased demand for working capital, especially under present conditions of high prices and expanding activities, the Institute says. Smaller debt structures have resulted, the financial structure has been simplified and, frequently, a tax advantage has accrued to the firm going

on the rental basis. Where debentures were the alternative, there has been a broadened borrowing capacity for other needs.

More Apprentices

Building trade workers will be in greater supply some time in the future because more apprentices are being trained. On December 31, there were nearly 2900 joint apprenticeship committees in operation in all building trades, as reported to the department of labor. This is an increase of 66 for November-December; and the number is still rising.

High Cost Rent Control

Barron's observes:

"The VA states that 540,000 veterans bought homes with G. I. loans in 1947, bringing the total to 1,050,000 such purchases. The average price of these homes in 1947 was \$7,300, with 216,000 of them selling for more than \$8,000.

"Average loan value for the two years was \$6,000. This means, for safe amortization, that more than a million veterans have obligated themselves to pay \$60 a month each—the bottom limit of safe amortization—for about 18 years. With average non-industrial pay around \$52 a week, that is far above the optimum level of a month's rent for a week's pay.

"The enormous bill we shall eventually pay for this over-lending on over-priced homes will be part of the cost of rent control, which bars these veterans from a chance at rental quarters."

Personnel

Members are invited to use this Personnel column at no charge.

FARM LOAN MAN AVAILABLE

Administrative officer with over twenty years of experience in all phases of the farm mortgage business is seeking a connection with a life insurance company. Several years with a government agency operating on national basis, in charge of field operations. Present organization in liquidation. Has reviewed farm properties in most all agricultural areas of the United States. In position to transfer to any desirable location on reasonable notice. Address Box 158, Mortgage Bankers Association of America, 111 West Washington St., Chicago.

Too Many Dollars

Thomas I. Parkinson of Equitable observes: "We are deliberately and continuously increasing our supply of dollars and moaning over increases in the cost of living. If we continue to inflate the money supply, we shall soon realize that the prices about which we are now complaining will be nothing compared with those that we are certain to experience later."

What We Built

The private building industry provided new homes in proper proportions during 1947 for families in every income group except the lowest tenth and the highest fifth of the country's income brackets, Melvin H. Baker, chairman of the Construction Industry Information Committee, says.

"By the third quarter of the year, the industry also was starting new homes at the record-breaking rate of one million units a year, surpassing the previous high record set in 1925.

"These statements are taken from a study of nonfarm single-family house construction prepared by the Committee's economic consultants. The study is based on official figures taken from the President's Economic Report of January, 1948, and derived from data released by the Bureau of Labor statistics."

CLEVELAND APPROACH

(Continued from page 2)

builders waited for workmen skilled at wet plastering and installing lath.

So far, eight variations of the basic house design have been developed.

These plans, by the way, are available to builders everywhere, through the Cleveland builders' association.

Cleveland builders say they see only two "ifs" in their picture. New installations of gas heating equipment are banned in Ohio, due to a gas shortage. But builders are hopeful the ban will be lifted. And interest rates on mortgages have been pushing upward, making it difficult to borrow money at 4 per cent; that would, of course, raise the monthly carrying charges.

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